

Message Text

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43

ACTION SS-25

INFO OCT-01 ISO-00 /026 W
----- 052310

R 161050Z JAN 75
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 9846
INFO AMEMBASSY ABU DHABI
AMEMBASSY BEIRUT
AMCONSUL DHAHRAN
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY TOKYO

C O N F I D E N T I A L JIDDA 328

EXDIS

E.O. 11652: GDS
TAGS: EFIN, SA, US
SUBJECT: NEW FEDERAL RESERVE RELATIONSHIP WITH SAMA

SUMMARY: FEDERAL RESERVE VICE PRESIDENTS DEBS AND WILLEY
EXTREMELY WELL RECEIVED BY SAMA AND MINFINANCE OFFICIALS.
PURCHASE OF BOTH TREASURY AND AGENCY ISSUED REGULARIZED
AND SPECIAL HOT LINE BEING ESTABLISHED AND OTHER SERVICES
DISCUSSED. SAUDI INTERNATIONAL FINANCIAL POLICY STILL
DIVERGES FROM U.S., PARTICULARLY ON RECYCLING. END
SUMMARY.

1. EXECUTIVE VICE PRESIDENT RICHARD DEBS AND INTER-
NATIONAL VICE PRESIDENT DAVID WILLEY VISITED JIDDA
JANUARY 10-14 TO DISCUSS LONG-TERM RELATIONSHIP WITH
SAUDI ARABIAN MONETARY AGENCY. NEW GOVERNOR ABDUL AZIZ
AL QURAISHI SPENT MANY HOURS WITH BOTH REPRESENTATIVES
AND A MAJOR NEW BASIS FOR THE RELATIONSHIP BETWEEN THE
TWO BANKING ESTABLISHMENTS WILL VERY LIKELY BE THE RE-
SULT.

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2. PURCHASE OF TWO TO THREE BILLION DOLLARS WORTH OF

REGULAR TREASURY ISSUED BASED ON AVERAGED BID PRICES WILL CONTINUE THE NEXT SIX MONTHS. SAMA HAS SO FAR PURCHASED ONCE IN DECEMBER AND THE ARRANGEMENT WORKED WELL. HELPED BY A NEW "HOT LINE" TELEX THAT IS TO BE SET UP, THE FED WILL COMMUNICATE DIRECTLY WITH SAMA ON ALMOST A DAILY BASIS (A MIXED BLESSING OF COURSE, SINCE SAMA IS SEEKING IN THIS AS IN OTHER MATTERS, A SPECIAL RELATIONSHIP).

3. VICE PRESIDENT DEBS WAS ALSO ASKED TO DISCUSS POSSIBLE TRAINING ALTERNATIVES WITH SAMA. INSTITUTE OF PUBLIC ADMINISTRATION DIRECTOR FAHD DUGAITHER WAS CALLED DOWN FROM RIYADH TO DISCUSS TWO-WAY TRAINING, HERE AND IN THE U.S. THE FED WILL VERY LIKELY RUN A SEMINAR OR A SERIES OF SEMINARS FOR SAMA AND THE MINISTRY ON THE ROLE OF CENTRAL BANKING. A FED REPRESENTATIVE WILL VISIT THE KINGDOM SHORTLY TO DISCUSS THE SUBJECT.

4. DEBS WAS ABLE TO LEARN THAT SAMA AT PRESENT HAS ABOUT \$5 BILLION IN THE SHORT TERM EURODOLLAR MARKET. BANKS WERE ACCORDING TO SAMA HAVING SOME TROUBLE TAKING ALL OF THE MONEY (ALTHOUGH SOMEWHAT IRONICALLY FNCB CHAIRMAN WALTER WRISTON WHO IS OF THE OPPOSITE OPINION ABOUT THE CASE OF PRIVATE RECYCLING WAS IN TOWN SIMULTANEOUSLY WITH DEBS).

5. DEBS HAD LONG SESSIONS WITH MINISTER STATE FOR FINANCE MOHAMMED ABA AL KHAYL AND WAS ABLE TO DETERMINE THAT INCREASINGLY THE SAUDI POSITION ON INTERNATIONAL FINANCIAL MATTERS IS NOT REPEAT NOT PARALLELING U.S. POLICY. BOTH ON GOLD AND ON THE RECYCLING PROPOSALS, IT WAS APPARENT THAT SAUDI ARABIA IS NOT SYMPATHETIC TO THE U.S. STAND AND FEELS THAT THE U.S. IS NOT SYMPATHETIC TO THE KINGDOM.

6. ON SAMA/MINISTRY OF FINANCE RELATIONSHIP, DEBS FEELS THAT QURAYSHI AND ABA AL KHAYL ARE "TWO PEAS IN A POD" AND ARE SO CLOSE THAT THEY OVERCOME THE OBVIOUS ANTIPATHY OF THE LOWER-RANKING SAMA
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STAFF TO THE MINISTRY IN RIYADH. HE FOUND QURAYSHI A VERY QUICK LEARNER AND ALREADY WELL INFORMED ON MOST FINANCIAL POLICY MATTERS.

7. THE ISSUE OF IMPROVING BANKING OPERATIONS IN THE COUNTRY IN GENERAL AROSE AND DEBS FEELS THAT SAMA AND THE MINISTRY WILL VERY LIKELY CHOOSE STANFORD UNIVERSITY AS ITS MAJOR PARTNER ON TRAINING AND

UPGRADING OF STAFF AND IMPROVING MANAGEMENT OF SAMA
ITSELF. FOREIGN BANKS WILL CONTINUE TO BE RESTRICTED
AND IT IS VERY LIKELY THAT EVEN PRESENT BANKS IN THE
KINGDOM WILL BE ASKED TO TAKE SAUDI PARTICIPATION
IN NOT TOO LONG A TIME.
AKINS

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BONDS, ECONOMIC COOPERATION, CAPITAL FLOWS, FINANCIAL RESERVES
Control Number: n/a
Copy: SINGLE
Draft Date: 16 JAN 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975JIDDA00328
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750017-0602
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750147/aaaabpcf.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 14 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 MAY 2003 by BoyleJA>; APPROVED <15 MAY 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NEW FEDERAL RESERVE RELATIONSHIP WITH SAMA SUMMARY: FEDERAL RESERVE VICE PRESIDENTS DEBS AND WILLEY
TAGS: EFIN, SA, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006